



STATE OF DELAWARE
STATE BOARD OF PENSION TRUSTEES
AND
OFFICE OF PENSIONS
MCARDLE BUILDING
860 SILVER LAKE BLVD., SUITE 1
DOVER, DE 19904-2402

When Calling Long Distance
Toll Free Number 1-800-722-7300
E-mail: pensionoffice@delaware.gov

Telephone (302) 739-4208
FAX # (302) 739-6129
www.delawarepensions.com

BOARD OF PENSION TRUSTEES
MEETING MINUTES OF JUNE 24, 2022

The meeting of the Board of Pension Trustees was called to order by Suzanne Grant, Chair, at 9:02 a.m., via videoconferencing.

Trustees Present

Suzanne Grant
Art Agra
Cerron Cade
Rick Geisenberger
Nancy Shevock
Harold Stafford

Others Present

Joanna Adams, Pension Administrator
Stephenie Tatman, Deputy Pension Administrator
Amy Cole, Pension Office
Robin Hartnett-Sterner, Pension Office
Khairat Makanjuola, Pension Office
Vicki Schultes, Pension Office
Cindy Starr, Pension Office
Mary Wood, Pension Office

Garry Musto, Windmark
Rob Gooderham, Windmark
Drew Dinger, Windmark

Savannah Jones, Wilmington University Student
Ben Carlin, journalist (*Intelligence*)
Mario Marroquin, journalist (*Markets Group*)

1. OPENING COMMENTS

S. Grant welcomed everyone to the meeting virtually. B. Carlin introduced himself as a journalist with *Intelligence*; M. Marroquin introduced himself as a journalist with *Markets Group*. R. Geisenberger was pleased to announce that the Budget passed, which includes a lot of pension-related legislation.

2. APPROVAL OF THE PUBLIC MINUTES OF THE BOARD OF PENSION TRUSTEES MEETINGS OF MARCH 25, 2022, AND APRIL 29, 2022

The Public Minutes of the March 25, 2022 meeting were discussed and reviewed.

MOTION was made by A. Agra and seconded by N. Shevock to approve the Public Minutes of the March 25, 2022 Board of Pension Trustees meeting, with changes as noted.

MOTION ADOPTED UNANIMOUSLY

MOTION was made by A. Agra and seconded by H. Stafford to approve the Public Minutes of the April 29, 2022 Board of Pension Trustees meeting, with changes as noted.

MOTION ADOPTED UNANIMOUSLY

MOTION was made by N. Shevock and seconded by H. Stafford to approve the Executive Minutes of the March 25, 2022 Board of Pension Trustees meeting as presented.

MOTION ADOPTED UNANIMOUSLY

MOTION was made by A. Agra and seconded by N. Shevock to approve the Executive Minutes of the April 29, 2022 Board of Pension Trustees meeting, with changes as noted.

MOTION ADOPTED UNANIMOUSLY

3. AUDIT COMMITTEE REPORT

H. Stafford stated the Audit Committee met on May 6, 2022, to review the GASB 68 & 75 reports. Mr. Stafford stated that KPMG was approved to conduct a risk assessment and proposed audit plan, which will be reviewed at the July 15, 2022, Audit Committee meeting. The Office of Pensions hopes to fill the Internal Auditor position soon. S. Grant asked if the internal audit position strategy will be distributed; H. Stafford confirmed that is the plan moving forward.

The next Audit Committee meeting is scheduled for July 15, 2022.

4. GOVERNANCE COMMITTEE REPORT

Ms. Adams shared that the Governance Committee met on June 1, 2022, with a new Chairperson – Pamela Tikellis. This was the first meeting of the Governance Committee since November 2021, and was very productive. This meeting was structured in more of a “Where have we been and where are we going?” format as opposed to a traditional meeting structure. The meeting identified the Committee’s priorities and gave updates on existing initiatives and goals,

noting significant progress has been made, and their work will continue. For example, one of the goals was to create a summary plan document that will be revised and reviewed, which has not taken place since the early 2000s. The Member Services team is doing a great job creating the summary plan document. The next meeting is scheduled for August 10, 2022.

H. Stafford stated that the Audit Committee's collaboration with the Governance Committee has not yet been discussed but is being considered.

5. PENSION ADVISORY COUNCIL REPORT

The Pension Advisory Council is actively attempting to lobby the legislature to ensure there are no plans to reduce Medicare coverage or increase its costs. The Council is also lobbying for PRI increases. These increases would be funded in the future by reestablishing the PRI fund. The Pension Advisory Council is also asking the legislature to start depositing a percentage of payroll into the PRI Fund to help offset the cost of future PRI increases. The Pension Advisory Council is very pleased with the legislative action taken in the second leg of the 151st General Assembly.

6. STATE PENSION ADMINISTRATOR'S REPORT

EMPLOYEE RECOGNITION:

Excellence in Compliance Award: The Office of Pensions was presented the Excellence in Compliance Award by the Auditor of Accounts, for excellence in compliance, internal reports, and other professional criteria. Receiving this award confirms that there were no real areas of concern based on previous reviews and performance measurements.

Staff Celebrations: Office of Pensions Strategic Systems Project Lead Eddie Sparaglione, and his daughter, Abby, recently traveled to Nova Scotia, for Abby to compete in the 2022 Pan-American Games. Abby turned 17 while competing in Canada during the beginning of the Games, and won a gold medal during her competition in the archery division.

DPERS LOGO:

The new DPERS logo was designed by Dan Pope, Office of Pensions Senior Application Support Specialist. The new design also compliments OMB's logo and includes the shape of the State of Delaware. While we embrace the availability of technology to better serve our members, we maintain our customer service focus and hope this new logo will help members easily recognize future communications from our office.

MOTION was made by N. Shevock and seconded by A. Agra to approve the DPERS logo as presented.

MOTION ADOPTED UNANIMOUSLY

POSITIONS UPDATE:

Ms. Adams reviewed the vacant positions. The Deputy Attorney General, Internal Auditor, and Human Resource Analyst I positions have been posted but have not resulted in any positions being filled. While the Internal Auditor and Deputy Attorney General postings are still active, the HR Analyst I position is expected to be filled by the next Board meeting. The Human Resource Supervisor position remains on hold. An employee from our ERP Section recently resigned to

accept a promotion with the Department of Technology and Information, which will result in another vacancy being added to the positions chart.

OFFICE ACTIVITIES:

Three virtual activities were scheduled for the Office of Pensions for June 2022: The Pre-Retirement Presentation, Monthly Payroll & HR training, and CMG&PFF Pen App training. July 2022 activities include the Monthly Payroll & HR training and the Pen App SEPP.

COUNTY/MUNICIPAL ENTITIES RESOLUTIONS:

LEWES FIRE DEPARTMENT: The Lewes Fire Department submitted a resolution stating they would like to join the County/Municipal Police and Fire Plan, effective July 1, 2022. They are not purchasing any prior service and have approximately 5 employees.

MOTION was made by A. Agra and seconded by H. Stafford to approve the Lewes Fire Department joining the County/Municipal Police and Fire plan.

MOTION ADOPTED UNANIMOUSLY

AETNA HOSE, HOOK, & LADDER COMPANY: The Aetna Hose, Hook, & Ladder Company submitted a resolution requesting to transition its plan from the County/Municipal General Plan to Police and Fire (effective July 1, 2022). The County/Municipal General Plan will be “frozen” and switch to Police and Fire, effective July 1st.

MOTION was made by A. Agra and seconded by H. Stafford to approve the Aetna Hose, Hook, & Ladder Company joining the County/Municipal Police and Fire plan.

MOTION ADOPTED UNANIMOUSLY

LEGISLATION:

Senate Bill 14 now has Senate Amendment 3. Senator Ennis is sponsoring this bill in order to create a mechanism to approve PRIs. This will result in the State contributing 2.33% toward the PRI Fund by 2026. The current rate for PRI is 1%, so changing it to 2.33% will have a large fiscal impact. This bill is presently in the House Administration Committee.

House Bill 205 establishes a retirement program for employers. This Act, called the “Delaware Earns Program”, will be administered by the Office of State Treasurer, and has passed the House and Senate. It is a vehicle where private employers will be able to provide retirement security to their employees through the plan. It creates an ability for small businesses to offer a 401K Plan managed by the Plan’s management board, which is currently responsible for the State’s 457 Plan. This does not require any action from the Board of Pension Trustees.

House Substitute 1 for House Bill 478 increases the annual earnings limit from \$30,000 to \$40,000. The return-to-work earnings limit hasn’t been changed since 2013.

Senate Bill 250 – FY23 Operating Budget – was passed on June 23, 2022. This includes \$38 million for the Delaware Volunteer Firefighters Association benefit enhancement, which now

offers \$5 per month for every year of service up to \$125. This increase doubles the benefit and becomes effective on January 1, 2023.

Senate Bill 251 – Authorizes a one-time supplemental appropriation – passed on June 23, 2022. This Act has a large impact on operations:

- 1) \$45 million was appropriated to pay off the FY22 PRI;
- 2) \$17 million was appropriated for a one-time supplemental payment of \$500; and
- 3) \$105 million to grant the PRI for FY23.

This is unique because it has been many years since the State paid the entire FY23 PRI.

MOTION made at 9:49 a.m. by R. Geisenberger and seconded by N. Shevock to enter into Executive Session, to consider pension personnel matters, confidential medical records, legal matters, sensitive commercial trade secrets, and confidential financial information.

MOTION ADOPTED UNANIMOUSLY

The Board then moved into Executive Session to discuss pending personnel matters, confidential medical records, legal matters, sensitive commercial information, proprietary business information, trade secrets, and confidential financial information.

MOTION made at 10:15 a.m. by H. Stafford and seconded by A. Agra to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

11. INVESTMENT COMMITTEE REPORT*

Mr. Gooderham reported that after global equity markets declined sharply in April, they had roughly flat returns in May. Concerns over tighter monetary policy, inflationary pressures, the Russia-Ukraine war, and COVID-19 lockdowns in China all combined to create a challenging environment for financial markets.

In April, the broad US equity markets, as measured by the Russell 3000 index, declined by 9.0%, with growth stocks underperforming value as some high-profile companies reported disappointing earnings. International equities also fell as the MSCI EAFE index was down 6.5% and the MSCI Emerging Markets index declined 5.6%. Fixed income market performance was negative as yields moved higher and credit spreads widened. For the month, the broad Bloomberg Universal index declined 3.7% and the Bloomberg High Yield index fell 3.6%.

In May, as anticipated, the Federal Reserve hiked its benchmark interest rate by 50 basis points, marking the largest rate increase since 2000 as policymakers move aggressively to tame multi-decade high inflation. The broad US equity market, as measured by the Russell 3000 index, edged

lower by 0.1%. Within US equities, value stocks outperformed, particularly the energy sector as commodity prices continued to trend higher. In international equity markets, the developed market MSCI EAFE index was up 0.7% and the MSCI Emerging Markets Index gained 0.4%. Fixed income markets provided slight gains as interest rates declined, reversing a modest amount of the large rate increase experienced in recent months. For the month, the broad Bloomberg Universal index moved up 0.6% and the Bloomberg High Yield index was up 0.2%.

Mr. Gooderham reported that DPERS Fund assets at Northern Trust were estimated to be \$13,627.4 million at May 31st, 2022, representing a net decrease including net benefit payments of \$1,038.5 million since March 31st. Estimated returns through May 31, 2022, are as follows:

	Month Ended 05-31-22	Fiscal YTD 05-31-2022	Calendar YTD 05-31-22	1 Year Ended 05-31-22
Total Fund	-2.2	-4.9	-11.6	-3.7
DPERS Policy Benchmark**	0.2	-8.0	-11.5	-6.9
S&P 500 Index	0.2	-2.6	-12.8	-0.3

** Benchmark mix: 46% Russell 3000 Index, 24% MSCI ACWI ex US IMI (Net), 27.0% BB Universal Bond Index, 3% T-bills

Mr. Gooderham reported that the Committee had met twice since the April Board meeting, on May 17th and June 14th. He advised that, at the May 17th meeting, the Committee reviewed and discussed:

- A Risk Estimation Update
- The Annual Flow Chart Review
- A Late-Stage Venture Update
- The Semi-Annual Private Investment Review
- A presentation on China
- The First Quarter Investment Review

He also reported that the Committee approved under its authority:

- A commitment of up to \$50 million to Accel Leaders Fund IV, subject to legal review.
- An amendment to the Limited Partnership Agreement for Summit Partners Growth Equity Fund VIII-A, L.P., subject to legal review.

At the Committee's June 14th meeting, Mr. Gooderham advised that, in addition to the approved items below, the Committee reviewed and discussed:

- Marcus Partners Fund IV Amendment Update
- Review of Manager Fees
 - Private Partnership Cost Structures
 - Investment Manager Fee Analysis
- Public Equity & Fixed Income Allocation Review

He also advised that the following items were approved at the June 14th meeting under the Committee's authority:

- A commitment of up to \$15 million to the Vision Ridge SAF Annex Fund, subject to legal review.
- A schedule change to the investment management agreement for the T. Rowe Price Global Growth Equity account.

The next regular meeting of the Committee is scheduled for Tuesday, July 19, 2022.

12. ADJOURNMENT

At 10:33 a.m., there being no further business:

MOTION was made by H. Stafford and seconded by A. Agra to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,


Joanna Adams (Aug 2, 2022 08:38 EDT)
Joanna M. Adams
Pension Administrator


Suzanne B. Grant (Aug 7, 2022 10:36 EDT)
Suzanne B. Grant, Chair
Board of Pension Trustees